

---

**State:** Arkansas **Filing Company:** USAbLe Mutual Insurance Company  
**TOI/Sub-TOI:** H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)  
**Product Name:** 2021 BC Individual QHP Rates  
**Project Name/Number:** 2021 Rate filing Individual On & Off Exchange/17-309, 17-310, 17-311, 17-313

## Filing at a Glance

Company: USAbLe Mutual Insurance Company  
Product Name: 2021 BC Individual QHP Rates  
State: Arkansas  
TOI: H16I Individual Health - Major Medical  
Sub-TOI: H16I.005A Individual - Preferred Provider (PPO)  
Filing Type: Rate  
Date Submitted: 06/19/2020  
SERFF Tr Num: ARBB-132412314  
SERFF Status: Pending State Action  
State Tr Num: ACA ON EXCHANGE  
State Status: Under Review  
Co Tr Num: ARBB-132412314  
  
Implementation: 01/01/2021  
Date Requested:  
Author(s): Christi Kittler, Yvonne McNaughton, Frank Sewall, Sammytra Williams, Angie Dover, Katrina Higgins, Melissa Bradshaw, Zane Chrisman  
Reviewer(s): Donna Lambert (primary), David Dillon, Brian Stentz  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:  
This rate filing supports Binder ARBB-AR21-125098915.  
The SERFF Tracking number for the related form filing is ARBB-132391296.

**State:** Arkansas  
**TOI/Sub-TOI:** H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)  
**Filing Company:** USable Mutual Insurance Company  
**Product Name:** 2021 BC Individual QHP Rates  
**Project Name/Number:** 2021 Rate filing Individual On & Off Exchange/17-309, 17-310, 17-311, 17-313

## General Information

Project Name: 2021 Rate filing Individual On & Off Exchange      Status of Filing in Domicile: Pending  
 Project Number: 17-309, 17-310, 17-311, 17-313      Date Approved in Domicile:  
 Requested Filing Mode: Review & Approval      Domicile Status Comments: Arkansas is our state of domicile.  
 Explanation for Combination/Other:      Market Type: Individual  
 Submission Type: New Submission      Individual Market Type: Individual  
 Overall Rate Impact: 2.9%      Filing Status Changed: 06/22/2020  
    State Status Changed: 06/19/2020  
 Deemer Date: 07/20/2020      Created By: Katrina Higgins  
 Submitted By: Sammytra Williams      Corresponding Filing Tracking Number:  
    PPACA: Non-Grandfathered Immed Mkt Reforms

PPACA Notes: null

Exchange Intentions: On and Off the Marketplace

Filing Description:

Attached is our 2021 Individual ON and OFF Exchange filing for your review and approval. A rate increase of 2.90% is requested. This rate filing supports Binder ARBB-AR21-125098915.

## Company and Contact

### Filing Contact Information

Katrina Higgins, Regulatory Compliance      KLHiggins@arkbluecross.com  
 Analyst  
 320 W Capitol Ste 211      501-378-2165 [Phone]  
 Little Rock, AR 72203

### Filing Company Information

|                                 |                         |                             |
|---------------------------------|-------------------------|-----------------------------|
| USable Mutual Insurance Company | CoCode: 83470           | State of Domicile: Arkansas |
| 601 S. Gaines Street            | Group Code:             | Company Type:               |
| Little Rock, AR 72201           | Group Name:             | State ID Number:            |
| (501) 378-2967 ext. [Phone]     | FEIN Number: 71-0226428 |                             |

## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation: 2 forms x 50.00 = 100.00  
 Per Company: No

| Company                         | Amount   | Date Processed | Transaction # |
|---------------------------------|----------|----------------|---------------|
| USable Mutual Insurance Company | \$100.00 | 06/19/2020     | 179752659     |

## State Specific

---

|                             |  |                        |                                 |
|-----------------------------|--|------------------------|---------------------------------|
| <b>State:</b>               | Arkansas   | <b>Filing Company:</b> | USable Mutual Insurance Company |
| <b>TOI/Sub-TOI:</b>         | H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO) |                        |                                 |
| <b>Product Name:</b>        | 2021 BC Individual QHP Rates   |                        |                                 |
| <b>Project Name/Number:</b> | 2021 Rate filing Individual On & Off Exchange/17-309, 17-310, 17-311, 17-313           |                        |                                 |

All major medical rate filings must have the "Overall Rate Impact" field on the General Information tab populated with the average rate adjustment requested.: Yes

If rate filing, please provide the SERFF Tracking # of last rate revision REQUEST filed regardless of Disposition.: ARBB-132012905

Is this product intended to be a QHP or SADP sold ON the Marketplace?: Yes

Is this a medical product intended to be sold ONLY OFF the Marketplace?: No

Is this a dental product intended to be a stand-alone, CERTIFIED dental plan offered OFF the Marketplace to supplement a minimum essential health benefit plan offered on or off the Marketplace?: No

Is this filing submitted to recertify or revise a plan previously certified for use as a QHP, an SADP, or dental product certified to supplement the pediatric benefit of a minimum essential health benefit plan offered on or off the Marketplace? If so, please provide the SERFF Tracking # of the previously approved filing or filings.: No

Is this filing for a non-EHB compliant "transitional" major medical product which can be extended until December 31, 2020?

See CMS Bulletin titled "Insurance Standards. Bulletin Series - INFORMATION - Extension of Limited Non-Enforcement Policy through 2020" dated March 25, 2019.: No

|                             |  |                        |                                 |
|-----------------------------|--|------------------------|---------------------------------|
| <b>State:</b>               | Arkansas   | <b>Filing Company:</b> | USAbLe Mutual Insurance Company |
| <b>TOI/Sub-TOI:</b>         | H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO) |                        |                                 |
| <b>Product Name:</b>        | 2021 BC Individual QHP Rates   |                        |                                 |
| <b>Project Name/Number:</b> | 2021 Rate filing Individual On & Off Exchange/17-309, 17-310, 17-311, 17-313           |                        |                                 |

## Rate Information

Rate data applies to filing.

|  |                    |
|--|--------------------|
| <b>Filing Method:</b>                            | Review and Approve |
| <b>Rate Change Type:</b>                         | Increase           |
| <b>Overall Percentage of Last Rate Revision:</b> | 2.890%             |
| <b>Effective Date of Last Rate Revision:</b>     | 01/01/2020         |
| <b>Filing Method of Last Filing:</b>             | SERFF              |
| <b>SERFF Tracking Number of Last Filing:</b>     | ARBB-132012905     |

## Company Rate Information

| Company Name:                   | Company Rate Change: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | Number of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): |
|---------------------------------|----------------------|-----------------------------|------------------------|--|---|-----------------------------------|---------------------------------|---------------------------------|
| USAbLe Mutual Insurance Company | Increase             | 2.900%                      | 2.900%                 | \$25,208,610                             | 144,076   | \$894,471,016                     | 13.880%                         | -0.770%                         |

**State:** Arkansas **Filing Company:** US Able Mutual Insurance Company  
**TOI/Sub-TOI:** H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)  
**Product Name:** 2021 BC Individual QHP Rates  
**Project Name/Number:** 2021 Rate filing Individual On & Off Exchange/17-309, 17-310, 17-311, 17-313

## Rate Review Detail

### COMPANY:

Company Name: US Able Mutual Insurance Company  
HHS Issuer Id: 75293

### PRODUCTS:

| Product Name | HIOS Product ID | HIOS Submission ID        | Number of Covered Lives |
|--------------|-----------------|---------------------------|-------------------------|
| PPO          | 75293AR120      | 75293-1771664869460971522 | 160300                  |

Trend Factors:

- Inpatient Hospital 5.18%
- Outpatient Hospital 4.79%
- Professional 1.35%
- Other Medical 2.50%
- Capitation 4.50%
- Prescription Drug 8.43%
- Total 4.64%

### FORMS:

New Policy Forms: 17-309, 17-310, 17-311, 17-313  
Affected Forms: N/A  
Other Affected Forms: N/A

### REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual  
Member Months: 1,981,020  
Benefit Change: None  
Percent Change Requested: Min: -0.77 Max: 13.88 Avg: 2.9

### PRIOR RATE:

Total Earned Premium: 876,901,681.00  
Total Incurred Claims: 734,686,454.00  
Annual \$: Min: 178.15 Max: 1,389.75 Avg: 484.90

### REQUESTED RATE:

Projected Earned Premium: 894,471,228.00  
Projected Incurred Claims: 765,001,516.00  
Annual \$: Min: 202.89 Max: 1,569.83 Avg: 498.96

## Rate Filing Justification Part II (Plain Language Summary)

Pursuant to 45 CFR 154.215, health insurance issuers are required to file Rate Filing Justifications. Part II of the Rate Filing Justification for rate increases and new submissions must contain a written description that includes a simple and brief narrative describing the data and assumptions that were used to develop the proposed rates. The Part II template below must be filled out and uploaded as an Adobe PDF file under the Consumer Disclosure Form section of the Supporting Documentation tab.

Name of Company      USAbLe Mutual Insurance Company

SERFF tracking number   ARBB-132412314

Submission Date      6/22/2020

Product Name      Individual Major Medical PPO

Market Type      ☒ Individual      ☐ Small Group

Rate Filing Type      ☒ Rate Increase      ☐ New Filing

### Scope and Range of the Increase:

The 2.90 % increase is requested because:

UMIC is requesting an overall rate increase of 2.90% for the 2021 plan year. This request is primarily based on (1) changes in utilization and cost trends from the 2019 experience period to the 2021 plan year, (2) benefit adjustments UMIC made for the 2021 plan year, and (3) the permanent repeal of the Health Insurance Tax as of the 2021 plan year. Other adjustments include changing demographics, morbidity assumptions, expense trend, Federal cost-sharing reduction shortfall projections, etc. The 2.90% requested increase will ensure UMIC's individual product is adequately and competitively priced for the 2021 plan year.

This filing will impact:

# of Arkansas policyholder's 144,290      # of Arkansas covered lives 160,300

The average, minimum and maximum rate changes increases are:

- Average Rate Change: The average premium change, by percentage, across all policy holders if the filing is approved 2.90 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved -0.77 %
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 13.88 %

Individuals within the group may vary from the aggregate of the above increase components as a result of:

Rate increases may vary for individuals due to changes in benefits relative to their 2020 benchmarks. One plan has a rate decrease for the 2021 plan year, while others plans have increases above the overall average of 2.90%. Plan premium changes will also differ as a result of the load for Federal CSR shortfalls.

### Financial Experience of Product

The overall financial experience of the product includes:

The overall financial experience of this product is based on claims experience incurred in plan year 2019 and paid as of 4/30/2020, with an additional estimate for claims incurred but not paid (IBNP).

The rate increase will affect the projected financial experience of the product by:

The 2021 requested rate increase will allow UMIC to provide competitively priced premiums that adequately cover the financial risks associated with this type of product, as well as allowing UMIC to meet the federally-mandated Minimum Loss Ratio (MLR) requirement (based on UMIC's

#### **Components of Increase**

The request is made up of the following components:

*Trend Increases* – 171. % of the 2.90 % total filed increase

1. Medical Utilization Changes – Defined as the increase in total plan claim costs not attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts. Examples include changes in the mix of services utilized, or an increase/decrease in the frequency of service utilization.

This component is 43.9 % of the 2.90 % total filed increase.

2. Medical Price Changes – Defined as the increase in total plan claim costs attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts.

This component is 127. % of the 2.90 % total filed increase.

*Other Increases* – -71. % of the 2.90 % total filed increase

1. Medical Benefit Changes Required by Law – Defined as any new mandated plan benefit changes, as mandated by either State or Federal Regulation.

This component is 8.57 % of the 2.90 % total filed increase.

2. Medical Benefit Changes Not Required by Law – Defined as changes in plan benefit design made by the company, which are not required by either State or Federal Regulation.

This component is 0.0 % of the 2.90 % total filed increase.

3. Changes to Administration Costs – Defined as increases in the costs of providing insurance coverage. Examples include claims payment expenses, distribution costs, taxes, and general business expenses such as rent, salaries, and overhead.

This component is -86.22% of the 2.90 % total filed increase.

4. Changes to Profit Margin – Defined as increases to company surplus or changes as an additional margin to cover the risk of the company.

This component is 6.23 % of the 2.90 % total filed increase.

5. Other – Defined as:  
N/A

This component is 0.0 % of the 2.90 % total filed increase.

# **Actuarial Memorandum (Redacted Version)**

USAbLe Mutual Insurance Company

Premium Rate Filing  
for  
Individual Exchange and Off-Exchange Health Insurance Products

Effective January 1, 2021

Redacted, Public Version



## Contents

|  |    |
|--|----|
| 1. General Information .....   | 4  |
| 2. Proposed Rate Changes .....   | 5  |
| 3. Market Experience .....   | 6  |
| 3.1 Experience and Current Period Premium, Claims, and Enrollment .....            | 6  |
| A. Paid Through Date .....   | 6  |
| B. Current Date .....  | 6  |
| C. Allowed and Incurred Claims Incurred During the Experience Period .....         | 6  |
| 3.2 Benefit Categories.....  | 6  |
| 3.3 Projection Factors .....   | 7  |
| A. Trend Factors (Cost/Utilization).....   | 7  |
| B. Morbidity Adjustment.....   | 7  |
| C. Demographic Shift .....   | 7  |
| D. Plan Design Changes.....  | 8  |
| E. Manual Rate Adjustments.....  | 8  |
| F. Credibility of Experience .....   | 8  |
| G. Establishing the Index Rate .....   | 8  |
| H. Development of Market-Wide Adjusted Index Rate (MAIR) .....                     | 9  |
| 3.4 Plan Adjusted Index Rate .....   | 11 |
| A. Actuarial Value (AV) and Cost-Sharing Design Adjustment.....                    | 11 |
| B. Changes to Network, Delivery System, and Utilization Management Practices ..... | 11 |
| C. Benefits in Addition to EHB Benefits.....                                       | 11 |
| D. Administrative Costs.....   | 12 |
| E. Development of Plan Adjusted Index Rate .....                                   | 12 |
| 3.5 Calibration.....   | 12 |
| A. Age Curve Calibration .....   | 12 |
| B. Geographic Factor Calibration .....   | 13 |
| C. Tobacco Use Rating Factor Calibration .....                                     | 13 |
| D. Combined Calibration Factors .....  | 13 |
| 3.6 Consumer Adjusted Premium Rate Development.....                                | 13 |
| 4. Projected Loss Ratio .....  | 14 |
| 5. Plan Product Information.....   | 15 |
| 5.1 AV Metal Value .....   | 15 |

|   |    |
|---|----|
| 5.2 Membership Projections.....             | 15 |
| 5.3 Terminated Plans and Products .....     | 15 |
| 5.4 Plan Type .....                         | 15 |
| 6. Miscellaneous .....                      | 16 |
| 6.1 Effective Rate Review Information ..... | 16 |
| 6.2 Actuarial Certification .....           | 17 |
| Appendix A.....                             | 19 |

## 1. General Information

As required by 45 CFR § 154.215, this Actuarial Memorandum documents the development and justification for USAbLe Mutual Insurance Company's (UMIC) Affordable Care Act (ACA) Individual On-Exchange and Off-Exchange health insurance premium rates effective January 1, 2021.

The required company identifying information and company contact information can be found below:

### Company Identifying Information

- Company Legal Name: **USAbLe Mutual Insurance Company**
- State: **Arkansas**
- HIOS Issuer ID: **75293**
- Market: **Individual**
- Effective Date: **1/1/2021**

### Company Contact Information

- Primary Contact Name: [REDACTED]
- Primary Contact Telephone Number: [REDACTED]
- Primary Contact E-mail Address: [REDACTED]

## 2. Proposed Rate Changes

UMIC is requesting a [REDACTED] average rate increase weighted across all renewing plans, which ranges from [REDACTED]. The rating impact by plan ID can be found in the Unified Rate Review Template (URRT), specifically Worksheet 2, Section 1.11.

To review the quantitative impact of significant factors driving the proposed rate change, please refer to the “Relationship of Proposed Rate Scale to Current Rate Scale” exhibit in the “Actuarial Memo Dataset.” This dataset is included with the 2021 rate filing.

The reasons for the requested rating impact include the following:

- Benefit changes required to maintain compliance with the 2021 Federal Actuarial Value (AV) Calculator
- Updated benefit factors for the 2019 experience period plans and 2021 projection period plans
- Claims trend from the 2019 experience period to the 2021 projection period
- Changes in morbidity from the 2019 experience period to the 2021 projection period
- Changes in the expected risk adjustment position from the 2019 experience period to the 2021 projection period
- Assumption that the Health Insurance Providers Fee (HIPF) will not be assessed in 2021
- Continuation of the Exchange User Fee at 2.5%
- Assumption that 2021 plan Federal cost-sharing reductions (CSRs) will not be paid for the year, in which case the expense will be spread across all On-Exchange silver plans
- Assumption that the 2021 Arkansas Works program budget cap will not limit the amount of CSRs paid for the 2021 plan year

Given the impact of the COVID-19 pandemic on the healthcare system, UMIC took into consideration whether claim costs for the 2021 projection year should be adjusted to reflect higher claim costs associated with COVID-19. Ultimately, UMIC decided against making any assumptions that would increase the 2021 proposed rate change. By excluding any adverse impact to the projected 2021 claims for COVID-19, UMIC will rely on Capital and Surplus to fund COVID-19 related costs that exceed (are in excess of) the underlying claims cost being projected for the 2021 plan year.

### 3. Market Experience

This section of the Actuarial Memorandum includes details that support the single risk pool calculations for UMIC's product in the Arkansas Individual market. Such calculations are the basis for the 2021 plan year membership, claims, and premium projections and the requested rating action.

The experience period used for this Actuarial Memorandum is plan year 2019 experience for the single risk pool only. As allowed by the URRT instructions, UMIC has not included any transitional product/plan experience in this rate filing.

#### 3.1 Experience and Current Period Premium, Claims, and Enrollment

##### A. Paid Through Date

The experience period claims represented in the URRT are claims incurred 1/1/2019 through 12/31/2019 and paid between 1/1/2019 and 4/30/2020. Runout factors have been applied so that the experience period claims reflect an incurred view of the claims.

A summary of the allowed and paid claims can be found below. These are also included in Worksheet 1, Section 1 of the URRT.

- Allowed Claims: [REDACTED]
- Paid Claims: [REDACTED]

##### B. Current Date

The current date enrollment and premium information in the URRT is current as of 4/30/2020. This information is also included in Worksheet 2, Section 2 of the URRT.

- Enrollment: [REDACTED]
- Premiums: [REDACTED]

##### C. Allowed and Incurred Claims Incurred During the Experience Period

All medical claims were processed through UMIC's internal claims processing system and all pharmacy claims were processed through UMIC's pharmacy benefits manager (PBM), [REDACTED]. In order to better identify cost trends from the 2019 experience period to the 2021 projection period, claims have been broken down by claim category. The claim category designations come from [REDACTED]

Allowed claims are calculated as the sum of total claims paid by UMIC plus member cost-sharing.

The IBNP estimate is based on completion factors that were calculated from UMIC's ACA Individual product paid claims data. [REDACTED]

#### 3.2 Benefit Categories

As noted in the previous section, [REDACTED] was used to classify experience period claims experience into the URRT benefit categories.

- All inpatient-related claims were mapped to the "Inpatient Hospital" category
- All outpatient-related claims were mapped to the "Outpatient Hospital" category

- PCP, specialist, therapy (OT/PT/ST) and other professional-related claims were mapped to the “Professional” category
- Home health, ambulance, DME, and prosthetics were mapped to the “Other Medical” category
- Incentive program payments and other capitation-related payments were mapped to the “Capitation” category
- Prescription drug claims (net of any Rx rebates) were mapped to the “Prescription Drug” category

### 3.3 Projection Factors

This section includes information about the adjustments used to convert 2019 experience period claims to the 2021 projection period.

#### A. Trend Factors (Cost/Utilization)

A trend adjustment was applied to the 2019 experience period claims to account for allowed cost and utilization changes from the experience period to the projection period. As demonstrated in Worksheet 1, Section II, the [REDACTED]. This is also captured in the following exhibit:

*Exhibit 1:* [REDACTED]

*Exhibit Redacted*

[REDACTED]

[REDACTED]

[REDACTED]

#### B. Morbidity Adjustment

[REDACTED]

The exhibit below summarizes how the overall morbidity adjustment in the URRT was calculated.

*Exhibit 2:* [REDACTED]

*Exhibit Redacted*

#### C. Demographic Shift

The demographic shift from the 2019 experience period to the 2021 projection period is expected to be [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Exhibit 3: [REDACTED]  
Exhibit Redacted

#### D. Plan Design Changes

[REDACTED]

[REDACTED]. The additional EHB coverage refers to pre-exposure prophylaxis (PrEP) for members that do not currently have HIV infection but are susceptible to acquiring it, per the U.S. Preventive Services Task Force recommendation.

The exhibit below summarizes how the overall plan design changes adjustment in the URRT was calculated.

Exhibit 4: [REDACTED]  
Exhibit Redacted

#### E. Manual Rate Adjustments

No manual rate was necessary, as the experience period claims are fully credible.

#### F. Credibility of Experience

Given that the base period experience included [REDACTED], the credibility assigned to the base period experience for the purposes of this rate filing is 100%.

#### G. Establishing the Index Rate

The index rate for UMIC's 2021 On-Exchange and Off-Exchange Individual rate filing is [REDACTED]. This is demonstrated in the exhibit below.

The index rate only includes allowed EHB claims. All non-EHB claims were excluded from the experience period by filtering and removing any claims with HCPCS codes and ICD-10 codes associated with the non-EHB benefits. The non-EHB benefits include the following:

- Treatment of craniofacial anomaly
  - Coverage of craniofacial anomaly is a state mandated benefit adopted after December 31, 2011 by the State of Arkansas.<sup>1</sup>
- Adult vision exams
- Newborn screenings

---

<sup>1</sup> Ark. Code Ann. §§23-79-1501 et seq.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

Exhibit 5: [REDACTED]  
Exhibit Redacted

#### H. Development of the Market-Wide Adjusted Index Rate (MAIR)

The development of the projection period MAIR can be viewed in the exhibit below. Additional information regarding risk adjustment and exchange user fee modifiers can also be found in this section.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

Exhibit 6: [REDACTED]  
Exhibit Redacted

#### (1) Reinsurance

[REDACTED]

#### (2) Risk Adjustment Payment/Charge

The expected risk adjustment transfer can be found in Worksheet 1, Section II of the URRT.

[REDACTED]

The basis for this calculation was [REDACTED] risk adjustment information from the following sources:

- [REDACTED]
  - [REDACTED]
- [REDACTED]
  - [REDACTED]
  - [REDACTED]
- [REDACTED]
  - [REDACTED]

When estimating the risk adjustment transfer for the 2021 projection period, key variables in the risk adjustment transfer were estimated and applied against the Federal risk adjustment transfer formula. These variables include the following:

- [REDACTED]



- [REDACTED]
- [REDACTED]
- [REDACTED]
  - [REDACTED]
  - [REDACTED]
- [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
- [REDACTED]
  - [REDACTED]
  - [REDACTED]

Other variables used in the risk adjustment transfer formula were carried over from 2019 into 2021 with

[REDACTED]

[REDACTED]. These factors include the following:

- [REDACTED]
- [REDACTED]
- [REDACTED]

Finally, the HCRP was estimated by

[REDACTED]

The overall expected HCRP PMPM

[REDACTED]

The following exhibit below demonstrates how the risk adjustment, HCRP, and combined estimates (in total) were calculated. This is being presented on a paid basis. Risk adjustment transfer factors for other insurers operating in the Arkansas individual market are included for calculation purposes, but their totals are not included in the risk adjustment and HCRP totals.

*Exhibit 7:*

*Exhibit Redacted*

### (3) Exchange User Fees

The exchange user fee (EUF) estimate can be found in Worksheet 1, Section II of the URRT.

The EUF is applied as an adjustment to the index rate at the market level. [REDACTED]

Please note that any PMPM differences between this memorandum and the URRT are due to rounding limitations in the URRT.

### 3.4 Plan Adjusted Index Rate

The plan adjusted index rate (PAIR) was calculated by applying all allowable adjustments to the MAIR as outlined in the 2021 URRT instructions. All factors outlined below can be found in Worksheet 2, Section III of the URRT.

#### A. Actuarial Value (AV) and Cost-Sharing Design Adjustment

The weighted average AV and cost-sharing design factor for the 2021 projection period is [REDACTED].

Benefit factors to adjust experience period claims to the projection period were developed using [REDACTED]

Plan benefits were changed in order to maintain compliance with the 2021 Federal AV Calculator. Some plan benefits were also changed to ensure plan benefits and premiums were in line with UMIC's perceived market expectations.

#### B. Changes to Network, Delivery System, and Utilization Management Practices

The weighted average factor for changes to network, delivery system, and UM practices is [REDACTED]

#### C. Benefits in Addition to EHB Benefits

The weighted average factor for benefits covered in addition to EHB benefits is [REDACTED]

As noted in the "Plan Designs Changes" section above, the non-EHB benefits included in the "Benefits in Addition to EHB" factor are as follows:

- Treatment of craniofacial anomaly
  - Coverage of craniofacial anomaly is a state mandated benefit adopted after December 31, 2011 by the State of Arkansas.<sup>2</sup>
- Adult vision exams

---

<sup>2</sup> Ark. Code Ann. §§23-79-1501 et seq.

- Newborn screenings

#### D. Administrative Costs

The following administrative costs include all expenses other than EUF and reinsurance fees, which have already been factored into the MAIR.

##### (1) Administrative Expense

The weighted average factor for administrative expenses is [REDACTED]. Administrative expense assumptions were developed using [REDACTED]

##### (2) Taxes and Fees

The weighted average factor for taxes and fees in the projection period is [REDACTED]. This percentage does not include EUF, but does include the following:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

##### (3) Profit and Risk Load

The weighted profit and risk load for the projection period is [REDACTED]

#### E. Development of Plan Adjusted Index Rate

The exhibits below demonstrate how the plan adjusted index rate was developed for each plan ID being offered in 2021. This includes an exhibit that ties the administrative expenses, taxes and fees, and profit and risk loads for each Plan ID to Worksheet 2, Section III of the URRT.

Please note that any PMPM differences between the exhibits below and the URRT are due to rounding limitations in the URRT.

*Exhibit 8:* [REDACTED]

*Exhibit Redacted*

*Exhibit 9:* [REDACTED]

*Exhibit Redacted*

### 3.5 Calibration

The following calibrations are used to make the PAIR calibrated to a 1.000 factor. All of the calibration factors can be found in Worksheet 2, Section III of the URRT.

#### A. Age Curve Calibration

The age calibration factor for the 2021 projection period is [REDACTED]. This was found using the most recent Federal age curve and applying it to our 2021 projection period enrollment by age, which resulted in an average age curve factor of [REDACTED].

The age curve calibration factor is used to help calibrate the PAIR to a normalized value, which can then be applied to consumer-level adjustments. The age curve is one of three factors used to normalize (see sections B and C below). Once the PAIR is normalized to the calibrated PAIR and ready to be priced at the consumer-level, UMIC will apply the appropriate age factor based on a consumer's age per the Federal age curve (see Appendix A).

#### B. Geographic Factor Calibration

[REDACTED]

[REDACTED]

#### C. Tobacco Use Rating Factor Calibration

The tobacco rating calibration factor is [REDACTED]. UMIC is applying a [REDACTED]. See Appendix A for a complete list of age ranges that have the tobacco load applied to consumers currently using tobacco products.

#### D. Combined Calibration Factors

The combined calibration factors used in the 2021 rate filing is [REDACTED]. It is used uniformly for all plans in the single risk pool. The exhibit below demonstrates how the calibrated plan adjusted index rate is calculated, using the plan adjusted index rate and calibration factors.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

*Exhibit 10:* [REDACTED]

*Exhibit Redacted*

### 3.6 Consumer Adjusted Premium Rate Development

The exhibit below shows how to calculate the premium rate for a non-smoking 35 year-old on the 75293AR1200003 plan (Silver Plan 1). The exhibit starts with the PAIR, applies the calibration factors from Section 3.5 of this memorandum, and then applies the appropriate consumer-level adjustments based on the consumer's age, rating area, and tobacco status.

Please note that any PMPM differences between the exhibit below and the URRT is due to rounding limitations in the URRT.

*Exhibit 11:* [REDACTED]

*Exhibit Redacted*

#### 4. Projected Loss Ratio

The projected loss ratio for the 2021 projection period was calculated based on the federally prescribed MLR methodology. In addition to the 2021 projection period, 2019 and 2020 MLR projections have been provided in order to calculate the three-year average MLR for the 2021 projection period. This can be found in the exhibit below.

*Exhibit 12:*

*Exhibit Redacted*

## 5. Plan Product Information

### 5.1 AV Metal Value

All plan AV metal values were based on the Federal AV Calculator methodology and tool. These values by plan can be found in Worksheet 2, Section I of the URRT.

### 5.2 Membership Projections

The membership projections used for the 2021 projection period [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Similar to the overall membership projections, membership for plan variants with CSR subsidies were projected by [REDACTED]. The exhibit below provides the CSR variant membership projections by silver plan.

*Exhibit 13:* [REDACTED]

*Exhibit Redacted*

### 5.3 Terminated Plans and Products

The exhibit below includes a list of terminated plans for plan years 2019 through 2021.

*Exhibit 14:* [REDACTED]

*Exhibit Redacted*

### 5.4 Plan Type

All plans in Worksheet 2, Section 1 of the URRT were described accurately by the available drop-down box in this section of the URRT.

## 6. Miscellaneous

### 6.1 Effective Rate Review Information

As this section is optional, UMIC has elected not to provide additional information requested in this section.

## 6.2 Actuarial Certification

I, [REDACTED], am a Fellow in the Society of Actuaries (FSA) and a member of the American Academy of Actuaries. I meet the Qualification Standards of Actuarial Opinions as adopted by the American Academy of Actuaries, and have the education and experience necessary to complete this rate filing for USAbile Mutual Insurance Company (UMIC). [REDACTED]  
[REDACTED]

I certify the rates in this filing were developed in accordance with the appropriate Actuarial Standards of Practice (ASOPs) and the profession's Code of Professional Conduct. While other ASOPs apply, particular emphasis was placed on the following:

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*
- ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*

I certify that to the best of my knowledge and judgment:

1. The projected Index Rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
  - Developed in compliance with the applicable Actuarial Standards of Practice
  - Reasonable in relation to the benefits provided and the population anticipated to be covered
  - Neither excessive nor deficient
2. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan-level rates.
3. The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.
4. The AV Calculator was used to determine the AV Metal Values shown in Part I of Worksheet 2 in the URRT for all plans.

The URRT does not demonstrate the process used by the issuer to develop the rates. Rather, it represents information required by federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-facilitated Exchanges, and for certification that the Index Rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.



The 2021 plan year premium rates in this Actuarial Memorandum are contingent upon the status of the ACA statutes and regulations, including any regulatory guidance, court decisions, or otherwise at the Federal and State levels. Changes have the potential to greatly impact the 2021 plan year premium rates provided in this Actuarial Memorandum. Changes include, but are not limited to, any legislative or regulatory amendments, court decisions, or decisions by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director.

At the time of this rate filing submission, I acknowledge there is substantial uncertainty regarding the impact of the COVID-19 pandemic on setting premium rates, including whether the pandemic will increase or decrease costs in 2021. Due to this uncertainty, I have chosen not to make an adjustment to the 2021 premium rates. As more information becomes known about the medical and economic impact of the COVID-19 pandemic, it is possible the 2021 premium rates will become excessive or deficient, and would therefore need to be adjusted to ensure premiums are neither excessive nor deficient.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## Appendix A



*Exhibit Redacted*